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Again! President Clinton's About-Face on Minimum Wage

There's a lesson to be learned from the on-going minimum wage debate — that President Clinton *hates tax cuts so much* he's willing to veto an increase in the minimum wage because it also provides modest tax relief for small employers.

Not that President Clinton has always supported increasing the minimum wage. Early in his presidency, Bill Clinton rarely referred to the minimum wage, preferring other federal programs that were "more efficient" for assisting low-income workers. He appeared to agree with the *New York Times* (January 14, 1987) that "the idea of using a minimum wage to overcome poverty is old, honorable — and fundamentally flawed."

Today, however, the President calls it "the right thing to do for working families." Call it a Republican majority conversion.

Yet just last week, the President announced he would veto an increase in the minimum wage if it is paired with a modest tax-relief package targeted at small employers. He made this threat despite signing similar legislation just four years ago. At that time, the President recognized that raising the minimum wage imposes real costs on employers. Just four years later and he has reversed his position — again!

Here's why President Clinton should embrace the targeted tax relief in the minimum wage package:

- **Size:** The proposed small-employer tax-cut package is small — $123 billion in reduced taxes over the next 10 years from the House-passed bill, $75 billion from the Senate version adopted during the bankruptcy bill. The President's own budget calls for $146 billion in "risky tax schemes" over the same period.
- **Content:** The House and Senate companion tax packages include targeted relief, including pension reform, increased small business expensing, and immediate 100-percent deductibility on health insurance costs for the self-employed. The President has already supported and/or signed into law many similar provisions. Individually, these tax cuts enjoy widespread, bipartisan support in both the House and the Senate, yet the administration terms them "risky tax cuts that threaten our prosperity." Here's a list of the "threatening" tax provisions that President Clinton has supported in the past and that are part of the minimum wage proposal:

Small Business Expensing: Both the House and Senate versions would increase allowable small business expensing from $20,000 this year to $30,000 next year, so that small businesses can deduct more investments in the first year, rather than depreciate them over time. The cap used to be $17,500 per year, but back in 1996 Congress passed and the President signed legislation to increase it.

Self-Employed Health Deductions: Both bills would allow the self-employed to deduct 100 percent of their health insurance costs this year, rather than be limited to the 60-percent deduction allowed under current law. How did the cap get to 60 percent? Because Congress passed and President Clinton signed not one but two bills to increase the allowable deduction, the first bill in 1996 and the second just last year.

Small Employer Pension Modernization: Both bills would modernize pension laws to encourage more small employers to offer pension plans to their workers. A similar effort was adopted by Congress in 1996 — and signed into law by President Clinton.

Death Tax Relief: The House bill would reduce the tax rates — the highest in the IRS Code — imposed on family businesses confronted with the death tax. In 1997, President Clinton signed into law an increase in the death tax exemption from $650,000 to $1 million. He also supported a special, $1.3 million death tax exemption for qualified family businesses.

- **Precedent:** President Clinton is shocked — shocked! — that Congress would combine an increase in the minimum wage with small employer tax cuts. Someone should remind him of the Small Business Job Protection Act. That legislation, adopted by Congress in 1996, paired an increase in the minimum wage with a modest, five-year $20 billion tax cut targeted at small employers. President Clinton signed it, remarking that "most of the new jobs in America are being created by small and medium-sized businesses."
- **Surplus**: One difference between 1996 and now is that in 1996, Congress faced projected budget deficits of almost $200 billion per year. Today, the CBO estimates that on-budget surpluses will exceed $850 billion from 2001 to 2010. The proposed tax cuts are equal to just 9-15 percent of these projected surpluses.

If President Clinton were really interested in helping the working poor, he would support tax policies designed to promote health insurance and pension coverage for small business workers. He would support legislation to encourage small business investment and job creation. Apparently, the President is less interested in the working poor than in working the politics. He doesn't want a minimum wage increase so much as he wants a political issue. He accuses Republicans of "holding poor workers hostage," but if he vetoes the proposed minimum wage/tax cut package, he'll be the one whose political obsessions have kidnapped the interests of the working poor <u>and</u> those who employ them.

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